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Report Highlights:

This report provides a news synopsis of trade policy and agriculture/commodities in China. News includes: 1) Guangzhou Slaughter Plants to Test all Pork for Clenbuterol 2) Health Ministry Solicits Comments on Bacteria Used in Food 3) China Denies Coca-Cola's Proposed Acquisition of Local Juice Giant 4) Consumer Goods Sales Expected to Reach \$73.1 billion in Beijing in 2009 5) Consumer Price Inflation in Sichuan Province Retreats to 39-Month Low 6) Shandong Continues with Strong Agricultural Export Growth 7) Agricultural Processing Reaches \$14.5 billion in Hebei 8) Farmer's Incomes Increase by 15 percent in 2008 9) Abbott Laboratories opens Production Plant in Guangzhou and 10) Jinan to Boost Distribution Channel in Food Service

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Beijing [CH1]
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Guangzhou Slaughter Plants to Test all Pork for Clenbuterol: On March 15, authorities in Guangzhou closed a major livestock wholesale market following more than 100 reported cases of food poisoning caused by consumption of pork contaminated with clenbuterol, a banned steroid. Following the closing, authorities reported a large number of pigs from a separate wholesale market tested positive for clenbuterol by a slaughter facility. An initial investigation found that contaminated pigs came from individual farms in Henan province. As a result of the widespread clenbuterol incidents, Guangzhou authorities are now requiring pork plants test all incoming pigs prior to slaughter. (Source: ATO/Guangzhou and local press, 03/19/09)

Health Ministry Solicits Comments on Bacteria Used in Food: The Ministry of Health is seeking comments from the public on two separate lists of bacteria that can be used respectively in regular food and infant formula food. The comment period ends on May 11. Details can be found on the Ministry's web site:
<http://www.moh.gov.cn/publicfiles/business/htmlfiles/mohwsjdj/s3594/200903/39421.htm>
(Source: Ministry of Health web site, 03/12/09)

China Denies Coca-Cola's Proposed Acquisition of Local Juice Giant: The Ministry of Commerce (MOC) announced on Wednesday that it rejected an application by Coca-Cola to acquire Huiyuan, China's largest juice maker, based on anti-monopoly law which took effect on August 1, 2008. After receiving the bid for acquisition on September 18, 2008, MOC launched an investigation and consultation process and concluded that the consolidation would transmit Coca-Cola's dominant position on carbonated beverage market to the juice market, restrict and eliminate competition, inhibit sound and sustainable development of juice industry and eventually harm consumers. Coca-Cola offered Huiyuan a total of \$2.3 billion in cash to purchase its shares on September 3, 2008. (Source: Ministry of Commerce web site, 03/18/2009)

Consumer Goods Sales Expected to Reach \$73.1 billion in Beijing in 2009: According to the Beijing Bureau of Commerce, Beijing had record sales of \$67.09 billion (RMB 458.9 billion) of consumer goods in 2008, an increase of 21 percent from the previous year. This growth made Beijing the most valuable consumer goods market in China measured by sales. The Bureau of Commerce predicted that 2009 sales could reach \$73.1 billion (RMB 500 billion), an increase of 13 percent from 2008. It was also reported that foreign grocery retailers, including Wal-Mart, are planning to start and/or speed up their investments in Beijing. (Source: Beijing Bureau of Commerce, 03/19/09)

Consumer Price Inflation in Sichuan Province Retreats to 39-Month Low: Sichuan provincial statistics authority reports that the province's consumer price index (CPI) edged up 0.6 percent year-on-year (y/y) in February, retreating from a 2.7 percent y/y increase recorded in January, hitting a record 39-month low. All eight categories of consumer goods and services in the CPI basket recorded a deceleration in inflation, with food showing the biggest drop from six percent y/y in January to only 0.7 percent y/y in February, largely due to the shift of demand around the Chinese New Year Holiday. Concurrently, the province's producer price index (PPI) dropped marginally by 0.1 percent y/y in February, the first decline since last year, as purchase prices for raw materials, fuel, and energy declined to 2.1 percent y/y. (Source: Sichuan Provincial Statistics Authority, 03/19/09)

Shandong Continues with Strong Agricultural Export Growth: While impacted by the global recession, Shandong maintains its strong agricultural export growth. Total agriculture export value reached \$9.98 billion (RMB 68.2 billion) up 7.8 percent from last year, accounting for 25 percent of China's total agricultural products exports. Robust export escalation to emerging markets including the Middle East, Russia, Latin America, and Africa with growth rates ranging from 24 percent to 43 percent account for the increase. (Source:

China Food Newspaper, 03/12/09)

Agricultural Processing Reaches \$14.5 billion in Hebei: In 2008, Hebei Province's agricultural products processing sector totaled \$14.5 billion (RMB 100 billion), representing a 36.05 percent increase from last year. All four major food industry components: agricultural processing, food manufacturing, beverage manufacturing, and tobacco manufacturing reached \$24.56 (RMB 168 billion) in combined sales. (Source: China Food Newspaper, 03/12/09)

Farmer's Incomes Increase by 15 percent in 2008: According to the State Statistic Bureau, per capita income of rural residents reached \$697 (RMB 4,761) in 2008, up 15 percent from the previous year. Adjusted for inflation, real per capita income increased eight percent. Farmer's incomes have increased more than six percent for six consecutive years. The monthly salary of migrant labors averaged \$176 (RMB 1,205) up nearly 14 percent from 2007. (Source: Ministry of Agriculture web site, 03/17/09)

Abbott Laboratories opens Production Plant in Guangzhou: Local media announced on March 17, that Abbott Laboratories, a U.S. based diversified pharmaceutical and health care company, opened a new manufacturing plant in Guangzhou that will package and dry blend for Premilac Gold, an infant formula product range that exclusively serves the Chinese market. The plant covers 172,000 square feet (16,000 square meters) with \$29 million (RMB 200 million) in construction costs. The raw milk needed for production will be imported from New Zealand. The plant in Guangzhou is Abbott Labs' first in China and their twelfth worldwide. Powdered milk market in China is estimated at \$2.9 billion, with foreign brands including: Nestle, Wyeth, Mead Johnson, Abbott, and Domex accounting for half of China's market share. (Source: ATO/Guangzhou and local press, 03/18/09)

Jinan to Boost Distribution Channel in Food Service: Jinan, Shandong Province plans to build 100 new breakfast locations, upgrade 19 wet markets, and build 31 new wet markets. The plan is to focus on the food service sector through strengthening distribution channels. Quick Service Restaurants and major food service distribution companies will be taking the lead in building the new breakfast locations. In 2008, the total breakfast locations increased by 240 to a total of 600. (Source: China Food News, 03/19/09)